

CAP161: Transmission Access – System Operator Release of Short-term Rights

CUSC Panel
25th April 2008

Overview

	CUSC	Charging Methodology	Other
Short-term	<p>CAP161: SO release of short-term rights</p> <p>CAP163: Entry capacity sharing</p> <p>CAP162: Entry overrun</p> <p>CAP164: Connect and manage</p>	<p>Ex post cost reflective charge</p>	
Long term	<p>CAP165: Finite long-term entry rights</p> <p>CAP166: Entry capacity auctions</p>	<p>Fixed price tariffs</p> <p>Auction resultant changes</p>	<p>Capacity release methodology</p>
Supporting changes	<p>Zonal access rights</p> <p>Local only applications</p>	<p>Zoning criteria</p> <p>Local asset charging</p> <p>/kWh residual charge</p>	<p>Zonal definition methodology</p>

nationalgrid

“Evolutionary Change” Straw Man

	CUSC	Charging Methodology	Other
Short-term	<p>CAP161: SO release of short-term rights</p> <p>CAP163: Entry capacity sharing</p>		
	<p>CAP162: Entry overrun</p> <p>CAP164: Connect and manage</p>	Ex post cost reflective charge	
Long term	<p>CAP165: Finite long-term entry rights</p> <p>CAP166: Entry capacity auctions</p>	Fixed price tariffs	Capacity release methodology
		Auction resultant changes	
Supporting changes	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	

nationalgrid

Defect

- ◆ Lack of flexibility of short-term products
 - ◆ Duration of access rights
 - ◆ Application process
- ◆ This can:
 - ◆ Restrict efficient use of spare capacity and redistribution of previously allocated capacity
 - ◆ Lead to potential overbooking of long-term access rights
 - ◆ Delayed connection
 - ◆ Reliance on administered rules to determine appropriate level of sharing of transmission capacity

Proposed Solution

- ◆ System Operator releases short-term access based on forecast cost
 - ◆ Economic rather than physical spare capacity
 - ◆ Over allocation to the extent it is economic
- ◆ Early connection
 - ◆ Local only
- ◆ Products sized and allocated as near to real time as practicable
 - ◆ Annual / month ahead
 - ◆ Quarterly / weekly / peak of peak
- ◆ Allocation to the those who value it most
 - ◆ Auction

Applicable Objectives and Recommendation

Objectives

- ◆ CAP161 better facilitates CUSC Applicable Objectives (a) and (b) by:
 - ◆ promoting more efficient use of the transmission system by parties who value it most
 - ◆ Improving transmission investment signals, from all plant types
 - ◆ Facilitating earlier connection

Recommendation

- ◆ National Grid recommends that CAP161 should be assessed by a joint CAP161-164 Working Group, for a period of 3 months
- ◆ National Grid further recommends that certain elements of CAP161 that are common across CAP161-166 be assessed by a sub-group, for a period of 3 months

CAP162: Transmission Access – Entry Overrun

CUSC Panel
25th April 2008

Overview

	CUSC	Charging Methodology	Other
Short-term	CAP161: SO release of short-term rights		
	CAP163: Entry capacity sharing		
Long term	CAP162: Entry overrun	Ex post cost reflective charge	
	CAP164: Connect and manage		
	CAP165: Finite long-term entry rights	Fixed price tariffs	
Supporting changes	CAP166: Entry capacity auctions	Auction resultant changes	Capacity release methodology
	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	nationalgrid

“Evolutionary Change” Straw Man

	CUSC	Charging Methodology	Other
Short-term	CAP161: SO release of short-term rights		
	CAP163: Entry capacity sharing		
Long term	CAP162: Entry overrun	Ex post cost reflective charge	
	CAP164: Connect and manage		
	CAP165: Finite long-term entry rights	Fixed price tariffs	
Supporting changes	CAP166: Entry capacity auctions	Auction resultant changes	Capacity release methodology
	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	
			nationalgrid

Defect

- ◆ The lack of flexibility in short term products, restricts the:
 - ◆ efficient use of the system
 - ◆ redistribution of access in real time
- ◆ Users book long-term firm rights
 - ◆ Undermines investment signals
 - ◆ Delays connection
 - ◆ Reliance on administered rules for investment decisions
- ◆ Most economic unit cannot get to market
 - ◆ Restricts effective competition
- ◆ Intermittent plant and flexible operation inconsistent with fixed firm long term rights
 - ◆ Economic for users to share in short term
 - ◆ Tendency to overbook

Proposed Solution

- ◆ Early connection
 - ◆ Local only
- ◆ Export not limited by system access holding
 - ◆ Limited by local capacity
- ◆ Creating a commercial mechanism to deal with exceeding access holding (instead of prohibition)
- ◆ Credit implications:
 - ◆ more dynamic
- ◆ Settlement would be on a zonal basis
- ◆ [Cost reflective overrun charge]

Applicable Objectives and Recommendation

Objectives

- ◆ CAP162 better facilitates CUSC Applicable Objectives (a) and (b) by:
 - ◆ promoting more efficient use of the transmission system by parties who value it most
 - ◆ Improving transmission investment signals, from all plant types
 - ◆ Facilitating earlier connection

Recommendation

- ◆ National Grid recommends that CAP162 should be assessed by a joint CAP161-164 Working Group, for a period of 3 months
- ◆ National Grid further recommends that certain elements of CAP162 that are common across CAP161-166 be assessed by a sub-group, for a period of 3 months

CAP163: Transmission Access – Entry Capacity Sharing

CUSC Panel
25th April 2008

Overview

	CUSC	Charging Methodology	Other
Short-term	CAP161: SO release of short-term rights		
	CAP163: Entry capacity sharing		
	CAP162: Entry overrun	Ex post cost reflective charge	
Long term	CAP165: Finite long-term entry rights	Fixed price tariffs	
	CAP166: Entry capacity auctions	Auction resultant changes	Capacity release methodology
Supporting changes	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	

nationalgrid

“Evolutionary Change” Straw Man

	CUSC	Charging Methodology	Other
Short-term	CAP161: SO release of short-term rights		
	CAP163: Entry capacity sharing		
Long term	CAP162: Entry overrun	Ex post cost reflective charge	
	CAP164: Connect and manage		
	CAP165: Finite long-term entry rights	Fixed price tariffs	
Supporting changes	CAP166: Entry capacity auctions	Auction resultant changes	Capacity release methodology
	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	
			nationalgrid

Defect

- ◆ The lack of flexibility in short term products, restricts:
 - ◆ efficient use of the system
 - ◆ redistribution of access in real time
- ◆ More specifically, the arrangements for bilateral exchange:
 - ◆ Are process intensive and require a significant lead time
 - ◆ Restrict effective competition in energy market
- ◆ Fixed firm long-term rights not conducive to operation of intermittent plant and flexible operation
 - ◆ Tendency to overbook
 - ◆ Delays connection
- ◆ Robustness -increased sharing and higher plant margin

Proposed Solution

- ◆ Facilitate early connection with sharing on a 1:1 basis within predefined zones
- ◆ Apply for local connection only
 - ◆ Connection lead time driven by 'local' issues
- ◆ Develop zones for sharing
 - ◆ Balance operational costs with benefits of better information and benefits of short term exchange
 - ◆ Stability and governance of zones
- ◆ Notification process
 - ◆ Codified, ex ante or ex post
- ◆ Transition arrangements
 - ◆ Move from nodal TEC

Applicable Objectives and Recommendation

Objectives

- ◆ CAP163 better facilitates CUSC Applicable Objectives (a) and (b) by:
 - ◆ promoting more efficient use of the transmission system by parties who value it most
 - ◆ Improving transmission investment signals, from all plant types
 - ◆ Facilitating earlier connection

Recommendation

- ◆ National Grid recommends that CAP163 should be assessed by a joint CAP161-164 Working Group, for a period of 3 months
- ◆ National Grid further recommends that certain elements of CAP163 that are common across CAP161-166 be assessed by a sub-group, for a period of 3 months

CAP164: Transmission Access – Connect and Manage

CUSC Panel
25th April 2008

Overview

	CUSC	Charging Methodology	Other
Short-term	CAP161: SO release of short-term rights		
	CAP163: Entry capacity sharing		
Long term	CAP162: Entry overrun	Ex post cost reflective charge	
	CAP164: Connect and Manage		
	CAP165: Finite long-term entry rights	Fixed price tariffs	
Supporting changes	CAP166: Entry capacity auctions	Auction resultant changes	Capacity release methodology
	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	

nationalgrid

“Connect and Manage” Straw man

	CUSC	Charging Methodology	Other
Short-term	CAP161: SO release of short-term rights		
	CAP163: Entry capacity sharing		
	CAP162: Entry overrun	Ex post cost reflective charge	
	CAP164: Connect and Manage		
Long term	CAP165: Finite long-term entry rights	Fixed price tariffs	
	CAP166: Entry capacity auctions	Auction resultant changes	Capacity release methodology
Supporting changes	Zonal access rights	Zoning criteria	Zonal definition methodology
	Local only applications	Local asset charging	
		/kWh residual charge	

Defect

- ◆ Connection process
 - ◆ Parties have to wait for completion of wider reinforcements before connection
 - ◆ This is inconsistent with the timescales associated with power station construction

Proposed Solution

- ◆ Provide a fixed connection date, subject the later of
 - ◆ Local transmission works
 - ◆ A fixed lead time
- ◆ Symmetrical force majeure provisions
- ◆ Consumers take on wider reinforcements risks
- ◆ Request for fixed date is optional
- ◆ Symmetrical obligation to pay charges for a minimum period from the fixed date
 - ◆ Unless both parties agree
 - ◆ Transition arrangement for existing contracts
- ◆ [TEC for purposes of charging
 - ◆ Stable asset based charge]

Applicable Objectives and Recommendation

Objectives

- ◆ CAP164 better facilitates CUSC Applicable Objectives (a) and (b) by:
 - ◆ Promoting more efficient use of the system through early connection
 - ◆ Improving the signals for design by providing more certainty of connection

Recommendation

- ◆ National Grid recommends that CAP164 should be assessed by a joint CAP161-164 Working Group, for a period of 3 months
- ◆ National Grid further recommends that certain elements of CAP164 that are common across CAP161-166 be assessed by a sub-group, for a period of 3 months